NORAMCO OF DELAWARE INC.
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October 15, 1998

Mr. Ed Miglarese
Vice President of Supply Management
PF Laboratories
700 Union Boulevard
Totowa, New Jersey 07512

Dear Ed:

We are pleased to be working with PF Laboratories on the supply of oxycodone. The qualifying material from three batches can be sent this month.

We have made significant progress since our meeting of July 29. First, we have received the high thebaine CPS from Tasmanian Alkaloids, completed the laboratory work and are starting up production based on this material next week. Second, we have decided to advance the schedule for implementation of two of the three process changes we discussed in July (Phase 1). The third process change (Phase 2) is in the lab and can be demonstrated 3rd/4th quarter 1999 as we discussed in July.

The capacity expansions are also still on track. First, the Wilmington facility to produce the penultimate and final steps of oxycodone will be completed by year-end. Second, the engineering for the expansion of our hydrogenation capacity is well underway. Third, the facility in Athens will be completed by year-end. The start up schedule will depend on demand. Finally, we are beginning work on getting the DEA licenses for Athens.

Th regulatory people got together yesterday. My understanding of the regulatory situation is:

1) We had no indication that the initial qualification would be different from a normal sNDA.
2) The process changes will be handled by Noramco under the BACPAC regulations. PF Laboratories will treat them as a CBE. There should not be any difficulty.
3) Although it was not discussed, our experience is that qualification of Athens can be treated as a CBE.

I should also mention that we were just inspected by the FDA in Wilmington and received three very minor 483 comments. The recent FDA inspection in Athens resulted in no 483 comments. The PhRMA API Technical Conference will be in Athens next year at which the new facility we are discussing will be showcased.

Thebaine

As discussed in my letter of August 10, in the context of a long-term agreement, Noramco will work with PF Laboratories to secure its entire, worldwide requirements.

This is not a minor point. As we have discussed, access to raw materials is going to be critical to obtaining security of supply.

Next Step

We have been discussing supply of oxycodone for many years now. The proposal we have made above involves commitments such as

- Accelerating bringing capacity on stream
- Dedicating capacity to PF Laboratories' requirements
- Changing Tasmanian Alkaloids' cultivation / extraction strategy

With a long term commitment, Noramco can work to provide even more capacity than in this proposal that will give PF Laboratories the maximum security of supply for its franchise by virtue of:

a) having two sources of supply – both with proven compliance track records and both with state-of-the-art facilities,
b) gaining access to raw materials on a worldwide basis which simply cannot be provided by any other company.

Of course, we need long term commitment from PF Laboratories to be able to provide the support this proposal envisions.

Sincerely,

Michael B. Kindergan